

designated official has jurisdiction, unless the context in which those words are used indicates that a different meaning is intended.

Designated official means a representative of DOI subject to the direction and supervisory authority of the Director, MMS, and the appropriate Regional Manager of the MMS authorized and empowered to supervise and direct all oil and gas operations and to perform other duties prescribed in 30 CFR part 250 (offshore).

Director means Director, MMS, DOI.

DOI means the Department of the Interior, including the Secretary of the Interior, or his or her delegate.

Federal lease means an agreement which, for any consideration, including, but not limited to, bonuses, rents or royalties conferred, and covenants to be observed, authorizes a person to explore for, or develop, or produce (or to do any or all of these) oil and gas, coal, oil shale, tar sands, and geothermal resources on lands or interests in lands under Federal jurisdiction.

Gas means natural gas as defined by the Federal Energy Regulatory Commission.

MMS means Minerals Management Service.

OCS means the Outer Continental Shelf, which includes all submerged lands (1) that lie seaward outside of the area of lands beneath navigable waters as defined in the Submerged Lands Act (Pub. L. 31-35, 67 Stat. 29, (43 U.S.C. 1301)) and (2) of which the subsoil and seabed appertain to the United States are subject to its jurisdiction and control.

OCSLA means the Outer Continental Shelf Lands Act, as amended (Act of August 7, 1953, Ch. 345, 67 Stat. 462, 43 U.S.C. 1331 *et seq.*, as amended by Pub. L. 95-372, 92 Stat. 629).

Oil means a mixture of hydrocarbons that exists in a liquid or gaseous phase in an underground reservoir and which remains or becomes liquid at atmospheric pressure after passing through surface separating facilities, including condensate recovered by means other than a manufacturing process.

[48 FR 1182, Jan. 11, 1983]

PART 260—OUTER CONTINENTAL SHELF OIL AND GAS LEASING

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AUTHORITY: 43 U.S.C. 1331 and 1337.

SOURCE: 45 FR 9539, Feb. 12, 1980, unless otherwise noted. Redesignated at 48 FR 1182, Jan. 11, 1983.

Subpart A—General Provisions

§ 260.001 Purpose and scope.

The purpose of this part 260 is to implement OCSLA, 43 U.S.C. 1331 *et seq.*, as amended, by providing regulations to foster competition including, but not limited to, regulations to prohibit joint bidding for development rights by certain types of joint ventures; the implementation of alternative bidding systems (including suspension of royalties for a period, volume, or value of production); and the establishment of diligence requirements for Federal OCS leases issued under the OCSLA.

[61 FR 3804, Feb. 2, 1996]

§ 260.002 Definitions.

For purposes of this part 260:

OCSLA means the Outer Continental Shelf Lands Act, (43 U.S.C. 1331 *et seq.*), as amended.

OCS lease means a Federal lease for oil and gas issued under the OCSLA.

Person includes, in addition to a natural person, an association, a State, or

a private, public, or municipal corporation.

[45 FR 9539, Feb. 12, 1980. Redesignated at 48 FR 1182, Jan. 11, 1983, as amended at 61 FR 3804, Feb. 2, 1996]

Subpart B—Bidding Systems

§ 260.101 Purpose and scope.

(a) This subpart establishes the several bidding systems that may be utilized in connection with the offering and sale of Federal leases for the exploration, development and production of oil and gas resources located on the OCS.

(b) Only bidding systems established by this subpart shall be utilized in OCS lease sales.

§ 260.102 Definitions.

For purposes of this subpart B—

Eligible lease means a lease that results from a sale held after November 28, 1995; is located in the Gulf of Mexico in water depths 200 meters or deeper; lies wholly west of 87 degrees, 30 minutes West longitude; and is offered subject to a royalty-suspension volume authorized by statute.

Field means an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same general geological structural feature and/or stratigraphic trapping condition. Two or more reservoirs may be in a field, separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both.

Highest responsible qualified bidder means a person who has met the appropriate requirements of 30 CFR part 256, subpart G and has submitted a bid higher than any other bids by qualified bidders on the same tract.

Highest royalty rate means the highest per centum rate payable to the United States, as specified in the lease, in amount or value of the production saved, removed or sold.

Lowest royalty rate means the lowest per centum rate payable to the United States, as specified in the lease, in amount or value of the production saved, removed or sold.

OCS lease sale means the DOI proceeding by which leases for certain OCS tracts are offered for sale by com-

petitive bidding and during which bids are received, announced and recorded.

Production period means the period during which the amount of oil and gas produced from a tract, or, if the tract is unitized, the amount of oil and gas as allocated under a unitization formula, will be measured for purposes of determining the amount of royalty payable to the United States.

Qualified bidder means a person, who has met the appropriate requirements of 30 CFR part 256, subpart G.

Tract means a designation assigned solely for administrative purposes to a block or combination of blocks that are identified by a leasing map or an official protraction diagram prepared by DOI.

Value of production means the value of all oil and gas production saved, removed or sold from a tract, or, if the tract is unitized, the value of all oil and gas production saved, removed or sold and credited to the tract under a unitization formula, during a production period, which value is determined in accordance with § 260.110(b).

[45 FR 9539, Feb. 12, 1980. Redesignated at 48 FR 1182, Jan. 11, 1983, as amended at 61 FR 12027, Mar. 25, 1996; 63 FR 2629, Jan. 16, 1998]

§ 260.110 Bidding systems.

(a) A single bidding system selected from those listed in this paragraph shall be applied to each tract included in an OCS lease sale.

(1) *Cash bonus bid with a fixed royalty rate of not less than 12½ per centum in amount or value of the production saved, removed or sold and an annual rental.* (i) The royalty rate to be paid by the highest responsible qualified bidder shall be a percentage of the amount or value of the production saved, removed or sold. Such royalty rate shall not be less than 12½ per centum at the beginning of the lease period in amount or value of production and shall be specified in the notice of OCS lease sale published in the FEDERAL REGISTER.

(ii) The amount of cash bonus to be paid is determined by the qualified bidder submitting the bid. Any deferment and the schedule of payments shall be included in the notice of OCS lease sale published in the FEDERAL REGISTER.

(iii) The annual rental to be paid by the highest responsible qualified bidder